

Honorable Timothy W. Dore  
Hearing date: July 8, 2016; 9:30 a.m.  
Hearing Place: Room 8106, 700 Stewart Street, Seattle, WA 98101  
Responses due by: July 1, 2016; by 4:30 p.m.

IN THE UNITED STATES BANKRUPTCY COURT FOR THE  
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

In re: ) Chapter 7  
 ) Bankruptcy No. 15-15473  
LEIGH ANN STONE, d/b/a Crybaby )  
Productions LLC, d/b/a Black Mas LLC, ) MOTION FOR AN ORDER APPROVING  
d/b/a Black Mountain LLC, f/d/b/a Crybaby ) COMPROMISE OF CLAIMS  
Studios LLC, )  
 )  
Debtor(s). )  
\_\_\_\_\_ )

COMES NOW the trustee, Nancy James, through counsel The Livesey Law Firm, and Rory C. Livesey, and moves this court for an order approving the trustee's compromise of claims.

The details of the compromises can be summarized as follows:

I. BACKGROUND

The debtor owned a 100 percent interest in Crybaby Productions, LLC ("Crybaby"). The business operates a music rehearsal studio. The debtor was also a member of another LLC named Black Mas, LLC ("Black Mas"). The debtor had a one-third interest in Black Mas. Michael McConnell ("McConnell") also had a one-third interest. Broadly speaking, McConnell was to provide financing, and the debtor and the third member, Alicia Amiri, were to provide services. Black Mas never fully came into being. A dispute developed with the landlord regarding tenant improvements. The landlord filed a lawsuit in superior court naming Black Mas and its members as defendants. The members also filed cross claims against each other. The cross claims were pending when the debtor filed her bankruptcy petition.

1 II. BANKRUPTCY PROCEEDING

2 The debtor filed her bankruptcy petition on September 11, 2015. McConnell is by far her  
3 largest unsecured creditor. He has filed an unsecured claim for \$435,012.50. Additionally,  
4 McConnell is asserting an additional unliquidated claim. Also included among the creditors is  
5 James Sullivan (“Sullivan”), the debtor’s father. He has a secured claim of approximately \$57,000  
6 against the debtor’s assets, including the interest in Crybaby. The trustee does not dispute the  
7 amount owed to Sullivan, but believes the security interest is subject to avoidance as a preference.

8 The trustee filed a motion for an order authorizing the sale of the estate’s 100 percent interest  
9 in Crybaby to McConnell for \$18,500. Sullivan objected to the sale and requested authority to credit  
10 bid his security interest. Sullivan also offered to pay cash for the interest. At the hearing the court  
11 ruled that Sullivan could not credit bid his secured debt. The matter was continued for a week so  
12 the parties could engage in an auction. The auction took place the following week and McConnell  
13 was the successful bidder for the interest in Crybaby at \$45,000. The order approving the sale  
14 required that it close by June 17, 2016. If the sale did not close to McConnell the trustee was  
15 authorized to sell Crybaby to Sullivan for \$44,000. The sale to McConnell left some unreleased  
16 issues between McConnell, Sullivan and the debtor. As the closing date was approaching,  
17 McConnell, Sullivan and the trustee worked towards a global resolution of all the disputes among  
18 the parties. The trustee is settling with Sullivan regarding his security interest and settling with  
19 McConnell regarding the cross claims in the state court action. The settlement terms have Sullivan  
20 buying Crybaby.

21 III. SULLIVAN SETTLEMENT

22 Sullivan is owed approximately \$57,000 on his secured claim. The debt arose from a series  
23 of advances he made to the debtor. Shortly after the last advance of \$5,500, the debtor executed a  
24 promissory note and a security interest in Sullivan’s favor. The bankruptcy was filed within 90 days  
25 of the perfection of Sullivan’s security interest.

1           As a result of the parties' agreement, Sullivan will now buy Crybaby from the trustee for  
2     \$44,000. The trustee has also agreed to settle Sullivan's security interest for \$5,500, representing  
3     the final advance by Sullivan to the debtor. Although the trustee believes that the security interest  
4     in the debtor's assets, even to the final \$5,500, is subject to challenge, the argument that the final  
5     \$5,500 is not avoidable as a preference is the strongest. Settling the preference claim by  
6     acknowledging a \$5,500 security interest is reasonable in that it saves the estate the time and  
7     expense of litigating the matter and provides a certain result. Additionally, Sullivan has agreed to  
8     waive the balance of his unsecured claim against the estate.

9           With the acknowledgment of the \$5,500 settlement of Sullivan's security interest, the trustee  
10    has agreed to credit that amount against the \$44,000 purchase price for Crybaby. The net to the  
11    estate in cash will be \$38,500. However, should Sullivan be unable to close the sale within fourteen  
12    (14) days of the date of the order approving this settlement, the trustee is seeking authority to sell  
13    Crybaby to McConnell for \$45,000. Should that occur the trustee will pay Sullivan the \$5,500  
14    settlement from the sale proceeds.

#### 15                                   IV. MCCONNELL SETTLEMENT

16           The trustee has agreed to settle the state court cross claims against McConnell for \$3,000 and  
17    a release of any claims the trustee could assert against McConnell. McConnell will agree to waive  
18    the unliquidated portion of his claim against the estate. His liquidated claim will be allowed at  
19    \$435,012.50.

20           The trustee has determined that this settlement is reasonable. The estate has limited  
21    resources with which to pursue any claims against McConnell. The settlement provides the estate  
22    with a certain recovery on the claims. As a practical matter, McConnell's claim makes up the vast  
23    majority of the creditor body. After factoring in the time and expense of litigation with McConnell,  
24    the bulk of the proceeds on any recovery would be returned to him on his creditor's claim.

25           The court considers four factors in deciding to approve a settlement. They are (a) the  
probability of success in resolving the claim; (b) the difficulties, if any, to be encountered in the

1 matter of collection; (c) the complexity of resolving the claim and the expense, inconvenience and  
2 delay involved; and, (d) the paramount interest of the creditors.

3 WHEREFORE, the trustee prays for an order approving the settlements described above.

4 DATED this 17<sup>th</sup> day of June, 2016.

5 THE LIVESEY LAW FIRM

6  
7 */S/ Rory C. Livesey*

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Attorneys for Trustee